

SENATE FISCAL AGENCY MEMORANDUM

DATE: April 18, 2007

TO: Members of the Senate Environmental Quality Subcommittee

FROM: Jessica Runnels, Fiscal Analyst

RE: On-Site Wastewater Management Fees

As part of the FY 2007-08 Environmental Quality budget, the Governor proposed a new fee called the on-site wastewater management fee. The proposal would amend the Natural Resources and Environmental Protection Act, the Condominium Act, and the Land Division Act to require filing fees for the siting and installation of on-site wastewater treatment systems for condominiums, subdivisions, individual residences, and commercial properties.

CONTENT

On-site wastewater treatment systems serve residential and nonresidential structures that are not reached by public sewer or water. Many of these properties are in subdivisions or are condominiums. The Department of Environmental Quality (DEQ) requires inspection and approval of the sites pursuant to the Public Health Code. In many cases, a local health department (LHD) with jurisdiction in the area will conduct these activities in place of the DEQ. The proposal would amend three different acts to implement a filing fee for approval of plans for system sites and a permit fee for installation of these treatment systems. Table 1 summarizes the filing fees.

Condominium Act

The proposal would allow a condominium developer to submit on-site wastewater treatment plans to either the DEQ or the LHD, if that local health department maintains jurisdiction over the condominium subdivision plan. A condominium subdivision plan proposes suitable sites and drainage for the individual wastewater treatment systems that residents will install once a home is constructed. A filing fee of \$300 plus \$20 for each unit would be required with the submission of a condominium subdivision plan. The fee would be payable to the DEQ if the plan were submitted to the DEQ or it would be payable to the local health department if submitted there. The LHD would have 90 days to remit the filing fee to the DEQ. Fees would be deposited into the On-Site Wastewater Treatment Program Fund, which the proposal would create. The filing fees would be adjusted annually by an amount determined by the State Treasurer to reflect the cumulative annual percentage changes in the Detroit consumer price index (CPI).

Land Division Act

The proposal would amend the Land Division Act to assess the same fees for on-site wastewater treatment system plans on subdivisions as are proposed for condominiums. At the time of submitting a preliminary plat plan, a proprietor also would have to submit a filing fee of \$300 plus \$20 for each lot. The fees would be paid to the local health department with jurisdiction, which then would forward the fees to the DEQ within 90 days. The fees would be

deposited into the On-Site Wastewater Treatment Program Fund. The filing fees would be adjusted annually by an amount determined by the State Treasurer to reflect the cumulative annual percentage changes in the Detroit CPI.

Natural Resources and Environmental Protection Act

The proposal would create a new Part 50 in the Natural Resources and Environmental Protection Act called "On-Site Wastewater Treatment Systems".

Under the proposal, when permits to install conventional or alternative wastewater treatment system were submitted to the local health department, a filing fee of \$50 for single- and two-family dwellings and \$160 for all other properties would be required. The fee would be payable to the LHD, which would submit only a portion of the fee to the DEQ within 90 days of receiving the permit application. The amount of each fee that the LHD would submit to the DEQ would be \$15 for single- and two-family dwellings and \$125 for all other dwellings. The amount of the filing fee and the amount submitted to the DEQ would be adjusted annually by an amount determined by the State Treasurer to reflect the cumulative annual percentage change in the Detroit CPI.

The proposal would create the On-State Wastewater Treatment Program Fund. The Fund would be created in the State Treasury and administered by the DEQ. All fees and other sources of funding collected by the DEQ under this section would be deposited into the Fund. The unencumbered balance in the Fund at the end of the fiscal year would remain in the Fund and would not revert to the General Fund.

The DEQ could spend money in the Fund only to implement Part 50 and to carry out its powers and duties. The proposal would prioritize expenditures from the Fund. The first priority would be direct expenses to implement the program, including staff, development, printing, and distribution of educational materials, and data maintenance and enhancements. The second priority would be supplementary funding for implementation of the Act to authorized local health departments in an amount not to exceed the projected revenue for the State fiscal year. (Any supplementary funding would be in addition to the portion of the fees retained by the LHDs.)

The proposal also would allow the DEQ to enter into agreements, contracts, or cooperative arrangements with appropriate LHDs or other individuals for the purpose of administering the program.

The proposal would create the following definitions:

- "Alternative system" would mean an on-site wastewater treatment system that is not a conventional system and provides for baseline risk-based protection for public health and the environment through uniform distribution of effluent to the final disposal system, enhanced treatment prior to final disposal, or combinations thereof.
- "Conventional system" would mean an on-site wastewater treatment and disposal system that contains a watertight septic tank with nonuniform distribution of effluent to subsurface soil trenches or an absorption bed.
- "On-site wastewater treatment system" or "system" would mean a system treating sanitary sewage including individual systems, community systems, and commercial systems that use subsurface dispersal.

- "Sanitary sewage" would mean water and contaminants discharged from sanitary conveniences, including bathroom, kitchen, and household laundry fixtures of dwellings, office buildings, industrial plants, commercial buildings, and institutions. Commercial laundry wastes and wastes from industrial and commercial processes would not be considered sanitary sewage.

Table 1

ON-SITE WASTEWATER MANAGEMENT PERMIT FEES		
Type of Fee	Number of Permits	Proposed Fee
Subdivision/Condominium		
Plan approval application	270	\$300
Per unit/lot	6,000	20
On-Site System Construction		
Single- and two-family dwellings	20,000	50
All others	800	160

FISCAL IMPACT

The proposal would generate annual revenue of approximately \$1,329,000 in the first year. This would be entirely new revenue. Of the total amount, \$601,000 would be remitted to the DEQ and the balance of \$728,000 would be retained by local health departments. The money received by the DEQ would support implementation of the program and 4.6 FTEs. This is an existing program that has not assessed fees for permit activity. In the past, it has been paid for with General Fund dollars, although for the past few years, Federal sources have covered program costs. The U.S. Environmental Protection Agency gave temporary approval to use source water protection and nonpoint source control funding for this program. The authorization to divert Federal funds for this purpose is ending.

The revenue from the proposed fees would be deposited into the new On-Site Wastewater Treatment Program Fund. The Fund would be used for implementation of the program, administrative costs, and supplementary funding to local health departments. It would be the sole support for the program.

Beginning December 1, 2008, the proposal would increase the fees each year according to the Detroit CPI. The January 2007 Consensus Revenue Estimating Conference report assumed a 2.5% rate of increase in the Detroit CPI for the next year.

This bill has not been introduced yet. If a bill is introduced, it could vary substantially from the Governor's proposal. Please contact me if you have questions.

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c: Gary S. Olson, Director
Ellen Jeffries, Deputy Director
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